

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** March 19, 2007 **Bill Number:** H.B. 3673

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**Committee Requesting Impact:** House Ways & Means Committee

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-21-625 so as to impose an additional license tax on each cigarette subject to the license tax on cigarettes in an amount equal to 3.25 cents on each cigarette, to establish the Groceries' Sales Tax Relief Fund to receive the revenue of this tax and provide for the use of this fund for the elimination of the state sales and use tax on the gross proceeds of the sale or sales price of unprepared food, and to provide for the collection and enforcement of this additional tax; to amend Section 12-36-910, as amended, relating to the imposition of the state sales and use tax, so as to delete language providing for a three percent sales and use tax on the gross proceeds of the sale or sales price of unprepared food; and to amend Section 12-36-2120, as amended, relating to the exemptions from the state sales and use tax, so as to include the gross proceeds of the sale or sales price of unprepared food.

### REVENUE IMPACT <sup>1/</sup>

This bill is not expected to impact General Fund revenue in FY2007-08.

### Explanation

This bill would add Section 12-21-625 to allow an additional 3.25 cents to be levied on each cigarette made of tobacco or any substitute for tobacco pursuant to Section 12-21-620(1). An additional 3.25 cents on each cigarette equates to a 65-cent surcharge on each pack of 20 cigarettes, raising the state excise tax to 72 cents per pack of 20 cigarettes. The higher surcharge is expected to generate an estimated \$200,940,000 of business license tax revenue in FY2007-08. This bill would also establish a separate and distinct fund from the General Fund styled the Groceries' Sales Tax Relief Fund (Fund) to receive the revenue from the cigarette surtax to be used to eliminate the sales and use tax on groceries. Interest earnings must remain a part of the Fund and are estimated at \$1,560,000 in FY2007-08. Monies in the Fund must be transferred to the General Fund each fiscal year in an amount estimated by the BEA that equals the revenue not received as a result of the elimination of the sales tax on groceries. The elimination of sales taxation on eligible food items purchased in grocery stores will reduce sales and use tax revenue by an estimated \$202,500,000 in FY2007-08. This bill does not contain an EIA hold harmless provision. This act takes effect upon approval by the Governor.

/s/ WILLIAM C. GILLESPIE, PH.D.

William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Martin

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.